

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
LOCAL OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
Cash Receipts	
Review of the Record and Disposition of Warrants (DHS-61)	2-3
Official Cashiers Receipts for Warrants Returned to the Local Office	3
Disposition of Returned Local Office Checks	3
Cash Disbursements	
Cancellation of Payment Documents	4
Completion of the Sign-O-Meter Record	4-5
Missing Case Record Documentation	5
General Ledger	
Missing Cash Reserve File Documentation	5-6
Modified Accrual Basis Balance Sheet	6
Safe and Controlled Documents	6
State Emergency Relief	
Authorizing Signatures on SER Payment Authorizations	6-7
Resolving Reconciliation Differences on the ES440 Report	7-8
Direct Support Services	
Supporting Documentation for Direct Support Services (DSS) Payments	8
Client Eligibility for Direct Support Services (DSS) Payments	9
Client Processing	9

CIMS/ASSIST/LASR

CIMS/ASSIST Enrollment Profile/Security Agreements and Job Types	9-10
Transaction Control Listing (MA-010) Review	10-11
Offsite Storage of Backup Tapes	11
Review of the ASSIST Security Violation Report (VB9-163)	11-12
Children's Protective Services	12
Payroll and Timekeeping	12
Procurement Card	12

INTRODUCTION

The Office of Internal Audit performed an audit of Oceana/Mason County DHS for the period January 1, 2004 through February 1, 2005. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Department of Human Services (DHS) are being followed. Oceana/Mason County DHS had 56 full time equated positions (FTE's) at the time of our review. Oceana/Mason County DHS provided assistance to an average 7,302 recipients per month in FY 2004, with total assistance payments of \$9,425,886 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Oceana/Mason County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	State Emergency Relief (SER)
Direct Support Services	Client Processing
CIMS/ASSIST/LASR	Children's Protective Services
Payroll and Timekeeping	Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we conclude that Oceana/Mason County DHS internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. However, we noted a few instances of noncompliance with policies and procedures, including a lack of case record documentation for Direct Support Services payments, which are detailed in the findings and recommendations that follow below.

LOCAL OFFICE RESPONSE

The management of the Oceana/Mason County DHS has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated April 6, 2005 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Review of the Record and Disposition of Checks and Warrants (DHS-61)

1. Oceana County DHS did not have staff independent of the Fiscal Office review the Record and Disposition of checks/warrants (DHS-61) to determine that checks and warrants returned/received at the Local Office were processed properly.

Internal controls over the disposition of returned/received checks and warrants is improved by having staff independent of the fiscal unit review the disposition to determine if the checks and warrants are processed as instructed by the Family Independence Specialists.

WE RECOMMEND Oceana County DHS have staff independent of the Fiscal Office review the Record and Disposition of checks and warrants (DHS-61) to determine

that checks and warrants returned/received at the Local Office are processed according to the Family Independence Specialists' instructions.

Official Cashiers Receipts for Warrants Returned to the Local Office

2. Oceana County DHS does not always prepare an Official Cashiers Receipt (DHS-3681) for all warrants that are returned in person to the Local Office.

Accounting Manual 462, page 1, states for warrants returned in person by the client or provider, the Cashier must complete an Official Cashiers Receipt (DHS-3681) as a memo receipt.

WE RECOMMEND Oceana County DHS prepare an Official Cashiers Receipt (DHS-3681) as a memo receipt for all warrants that are returned in person to the Local Office.

Disposition of Returned Local Office Checks

3. Oceana County did not control the disposition of local office checks returned to the office. The disposition of the checks was based on verbal instructions or E-mail from the worker. Hard copies of the E-mails were not retained on file.

Documenting the disposition of the checks with written instructions from the worker strengthens controls over the returned checks.

WE RECOMMEND Oceana County DHS require the workers to notify the Fiscal Office in writing of the disposition of returned local office checks and that the Fiscal Office maintain the written instructions on file.

Cash Disbursements

Cancellation of Payment Documents

4. Oceana County DHS did not always follow established procedures for canceling payment documents.

The payment documentation for sixteen payments examined did not have the supporting documentation stamped “paid” even though the authorization form (DHS-1291, DHS-849, or DHS-4663) had been stamped “paid.”

The payment procedures described in the Accounting Manual require all payment documentation to be stamped “paid”. Failure to stamp payment documents “paid” increases the risk of duplicate payments.

WE RECOMMEND Oceana County DHS ensure that all supporting documents for payments are stamped “paid.”

Completion of the Sign-O-Meter Record

5. Oceana County DHS did not complete the Sign-O-Meter Record (DHS-4711) properly.

Staff preparing the Sign-O-Meter had entered void checks in the incorrect column on the form and the Reconciliation per the Check Register Section did not report the correct number of checks in the “Written on LASR” box of the reconciliation.

Accounting Manual 410.1, page 1, states that the purpose of the of the Sign-O-Meter Record (DHS-4711) is to ensure that no check goes through the check signer that is

not accounted for in the accounting records. This assurance is accomplished by reconciling the DHS-4711 with the check register monthly.

WE RECOMMEND Oceana County DHS require staff to complete the Sign-O-Meter Record (DHS-4711) as required in Accounting Manual 410.1.

Missing Case Record Documentation

6. Mason County DHS did not prepare the required documents to establish program eligibility for one of the payments examined. The case record for one Mason County DHS Emergency Services payment did not have the Supplemental State Emergency Relief Application (DHS-1514), Eligibility Determination Record (DHS-4418), or the Decision Notice (DHS-1419) on file.

Program Policy Manual SER 209 requires preparation of these forms to document the client's eligibility for SER funds. ES funds are to be used when the applicant does not meet SER eligibility.

WE RECOMMEND Mason County prepare the Supplemental State Emergency Relief Application (DHS-1514), Eligibility Determination Record (DHS-4418), and the Decision Notice (DHS-1419) for all clients applying for State Emergency Relief.

General Ledger

Missing Cash Reserve File Documentation

7. Oceana County DHS did not maintain the Cash Reserve file as required by Accounting Manual 402.6.

Examination of the Cash Reserve file disclosed that the treasurer's receipt, warrant stub, and journal voucher copy relating to a \$50,000.00 increase in the Cash Reserve was not on file.

Placing these documents in the Cash Reserve file provides readily accessible documentation for any changes that occur in the cash reserve balance

WE RECOMMEND Oceana County DHS file the county treasurer's receipt, warrant stub, and copy of the journal voucher in the Cash Reserve file.

Modified Accrual Basis Balance Sheet

No findings in this area

Safe and Controlled Documents

No findings in this area

State Emergency Relief

Authorizing Signatures on SER Payment Authorizations

8. Oceana/Mason County DHS did not ensure that SER payments submitted to the Fiscal Office were properly authorized.

A review of ninety-five payments for Oceana County DHS and seventy-two payments for Mason County DHS on the December 2004 DHS-849, 93(A) Issuance Report (ES-440) disclosed two payments in both Oceana and Mason County DHS that were signed with initials. One payment in Oceana County DHS did not have a signature.

The standard for an authorizing signature should be an original signature and not a copy. A valid signature should be a minimum of first initial and last name.

This standard for an authorizing signature should be applied to all Local Office payments. Properly signed payment authorizations are required to provide assurance that payments are accurate and appropriate.

WE RECOMMEND Oceana/Mason County DHS require staff requesting payments to sign all payment authorizations with an original valid signature, consisting of a first initial and last name at a minimum.

Resolving Reconciliation Differences on the ES440 Report

9. Mason County DHS did not resolve discrepancies that were identified when reconciling the DHS-849, 93(A) Issuance Report (ES-440) with the Authorization/Invoice (DHS-849) on a timely basis.

Our review on January 13, 2005 of the December 2004, DHS-849, 93(A) Issuance Report (ES-440) disclosed ten payments that had been sent to staff for resolution. The most current reconciling item was reported on the December 21, 2004 ES-440 report. There were also reconciliation errors dating back to September of 2004 that had not been resolved.

A prompt resolution of a reconciling item is necessary to ensure the correct payment has been made and to establish an Accounts Receivable for over payments, if necessary.

WE RECOMMEND Mason County DHS resolve differences between the Authorization/Invoice DHS-849, 93(A) Issuance Report (ES-440) and the Authorization Invoice (DHS-849) on a more timely basis.

Direct Support Services

Supporting Documentation for Direct Support Services (DSS) Payments

10. Oceana/Mason County DHS staff did not submit the appropriate documentation to the Fiscal Office for Direct Support Services (DSS) payments. We examined 35 DSS payments. The documentation attached to the Employment and Training Expenditure Authorization (DHS-4663) for one Mason County DHS payment was a photocopy of an invoice. The supporting documentation for one Oceana County DHS vehicle purchase was not a vendor invoice, but a note written by a worker to a FIM stating the amount and to whom the check was to be made payable.

Internal Control Criteria dated November 2004 requires an original invoice or fax from the vendor to be attached to the DHS-4663.

Attaching the original invoice/bill that identifies the amount to be paid and the vehicle to the DHS-4663 submitted to the Fiscal Office provides assurance that payments are accurate and appropriate.

WE RECOMMEND Oceana/Mason County DHS attach the original invoice/bill with the amount to be paid and the vehicle identified to the Employment and Training Expenditure Authorization (DHS-4663) submitted to the Fiscal Office for payment.

Client Eligibility for Direct Support Services (DSS) Payments

11. Oceana/Mason County DHS did not establish client eligibility for vehicle purchase, repair, or insurance for six clients. We examined four case records from Oceana County DHS and six case records from Mason County DHS that had payments for vehicle purchase, repair, or insurance. Four of the cases examined did not have proof of ownership for the vehicle repaired or vehicle insurance purchased. Five case records, one for a vehicle purchase, did not have valid drivers' license on file. Two case records for vehicle purchases did not have proof of insurance on file. One case did not have any documents relating to a car repair on file.

Program Eligibility Manual Item 232 states the Specialist should ensure an eligible group member owns the vehicle before authorizing a major repair, and that the client has a valid driver's license and is insured before authorizing a vehicle purchase.

WE RECOMMEND Oceana/Mason County DHS ensure the Specialists adequately document vehicle purchase, repairs, and insurance authorizations for payment in the case record.

Client Processing

No findings in this area

CIMS/ASSIST/LASR

CIMS/ASSIST Enrollment Profile/Security Agreements and Job Types

12. Oceana County DHS has assigned Client Information Management System (CIMS) status levels and ASSIST job types that are inconsistent with staff job responsibilities. One support staff (Services Clerk) has "CRS" status on CIMS and ASSIST job type

360 (RSS). One reception and registration support staff has “FLM” status on CIMS and ASSIST job type 360 (RSS).

Internal Control Criteria dated November 2004, page 54, states that if a person has the ability to assign new case numbers and register applications in ASSIST and perform the full range of file maintenance transactions on CIMS, this one person has complete control of a transaction.

For FIMs and other staff assigned a status level above inquiry on CIMS, and registration capability on ASSIST, all of their CIMS transactions appearing on the Transaction Control Report (MA-010) are to be reviewed to ensure they are proper.

Assigning staff a CIMS status or ASSIST job type that allows the staff to register and open cases does not allow for the proper separation of duties.

WE RECOMMEND Oceana County DHS change the CIMS status of the reception and registration and services support staff to inquiry or “IRG” only, or have independent staff review all of their transactions that appear on the Transaction Control Report (MA-010).

Transaction Control Listing (MA-010) Review

13. Oceana County DHS does not allow for the adequate separation of duties in maintaining CIMS security and the monitoring of CIMS transactions that appear on the Transaction Control Listing (MA-010). The CIMS Security Coordinator is reconciling the MA-010 report with the case record documentation to verify that the case was opened by the assigned worker.

The CIMS Security Policy states that the reconciliation of the MA-010 report must not be performed by the Security Coordinator.

WE RECOMMEND Oceana County DHS assign staff other than the Security Coordinator to reconcile the Transaction Control Listing (MA-010) with the case record documentation.

Offsite Storage of Backup Tapes

14. Oceana/Mason County DHS does not maintain backup production and operating system tapes in a secure offsite location. The backup tapes are being stored on site in Oceana County in a safe in the telecommunications room and in the fiscal office vault in Oceana/Mason County.

Internal Control Criteria dated November 1, 2004 states that backup production tapes and appropriate system backup tapes for all systems are to be stored in an offsite secure location that protects them from loss, theft, fire, or water damage.

WE RECOMMEND Oceana/Mason County DHS secure offsite storage for the backup production and system tapes.

Review of the ASSIST Security Violation Report (VB9-163)

15. Mason County DHS did not have the ASSIST Security Officer review the ASSIST Security Violation Report (VB9-163) for security violations. This report is system generated each day a security violation occurs. ASSIST system security is strengthened when the security officer performs a timely review of any security violations.

WE RECOMMEND Mason County DHS have the ASSIST Security Officer review the ASSIST Security Violation Report (VB9-163).

Children's Protective Services

No findings in this area

Payroll and Timekeeping

No findings in this area

Procurement Card

No findings in this area